

**Before The
Public Service Commission of South Carolina**

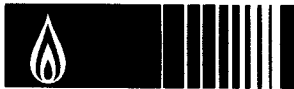
Docket No. 2007-4-G

**Annual Review of Purchased Gas Adjustment and
Gas Purchasing Policies of Piedmont Natural Gas Company, Inc.**

**Direct Testimony and Exhibits
Of
Robert L. Thornton**

**On Behalf Of
Piedmont Natural Gas Company, Inc.**

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**Piedmont
Natural Gas
Company**

October 11, 2007

1 **Q. Please state your name and business address.**

2 A. My name is Robert L. Thornton. My business address is 4720 Piedmont Row
3 Drive, Charlotte, North Carolina.

4 **Q. What is your position and what are your responsibilities with Piedmont**
5 **Natural Gas Company ("Piedmont")?**

6 A. I am employed as Manager of Gas Accounting.

7 **Q. Please briefly describe your education and experience.**

8 A. I received a B.S. degree from The College of Charleston in 1984. In 1985, I
9 was employed by Duke Power Company as a staff accountant. In 1990 I was
10 employed by Ingersoll-Dresser Pump Company as Controller. In 1994, I was
11 employed by Public Service Company of North Carolina, Inc. ("PSNC"), as a
12 Senior Financial Accountant and was promoted to Director – Investor Relations
13 and Financial Projects in 1998. After PSNC was acquired by SCANA
14 Corporation I was employed by Cox Technologies in 2000 as Controller and
15 Assistant Treasurer. In 2004, I was employed by HSBC Mortgage Corp. as
16 Manager of Regulatory and Investor Reporting. I was employed by Piedmont
17 Natural Gas Company, Inc. ("Piedmont") in 2007 as Manager of Gas
18 Accounting.

19 **Q. Please describe your responsibilities as Manager of Gas Accounting.**

20 A. My responsibilities include: recording the cost of gas on Piedmont's books,
21 maintaining a proper match of revenues and cost of gas in Piedmont's income
22 statements, recording Piedmont's margin in accordance with regulatory
23 requirements in each of the three state jurisdictions in which Piedmont

1 operates, verifying volumes and prices on all invoices relating to the purchase
2 and transportation of natural gas, and recording gas inventory accounts and
3 deferred accounts. I am also responsible for the middle office functions related
4 to the experimental hedging program implemented in South Carolina pursuant
5 to Commission Order No. 2002-223 dated March 26, 2002.

6 **Q. Have you previously testified before this Commission or any other**
7 **regulatory authority?**

8 A. I have not previously testified before this Commission, however, I have
9 testified before the North Carolina Utilities Commission in Piedmont's most
10 recent annual review of gas costs in Docket No. G-9, Sub 542.

11 **Q. How long have you been employed by Piedmont as Manager of Gas**
12 **Accounting?**

13 A. Approximately seven months.

14 **Q. Why were you hired by Piedmont?**

15 A. At the time I was hired, Piedmont was experiencing some difficulties in its gas
16 cost accounting functions and I was hired to help address and correct these
17 difficulties.

18 **Q. Has the Company made progress in improving its gas cost accounting**
19 **functionality since you began work earlier this year?**

20 A. Yes. As is described in more detail in the direct testimony of David Carpenter,
21 we have made significant improvements in identifying and correcting

1 weaknesses in our gas cost accounting practices and procedures in the last
2 seven months. These efforts are ongoing.

3 **Q. What is the purpose of your testimony in this proceeding?**

4 A. The purpose of my testimony in this proceeding is to report to the Commission
5 Piedmont's end-of-period balances and accounting in its deferred accounts in
6 order to permit the Commission to determine that Piedmont's true-up
7 procedures for the review period have resulted in a properly stated cost of gas
8 and that Piedmont's gas costs are properly recorded in compliance with
9 Piedmont's Gas Cost Recovery Mechanism and Hedging Plan.

10 **Q. Has the Office of Regulatory Staff reviewed Piedmont's accounting for**
11 **its cost of gas for the review period in this proceeding?**

12 A. Yes. The Commission has previously ordered Piedmont to maintain an account
13 reflecting its gas costs each month, the amount of gas costs recovered each
14 month, and amounts deferred each month. The audit staff of the Office of
15 Regulatory Staff has conducted a detailed audit and review of the activity in
16 that account, as well as the detailed data supporting the accounting entries to
17 that account.

18 **Q. Does the Company also maintain a hedging deferred account?**

19 A. Yes. Effective April 1, 2002, Piedmont implemented an experimental natural
20 gas hedging program pursuant to Commission Order No. 2002-223. Pursuant to
21 this program, Piedmont maintains a Hedging Deferred Account in which it

1 records the results of its hedging activities undertaken in accordance with its
2 hedging plan. The audit staff of the Office of Regulatory Staff has also
3 conducted a detailed review of the balance in this account and detailed
4 accounting data supporting that balance and review period entries in that
5 account.

6 **Q. Have you prepared any exhibits with your testimony?**

7 A. Yes. I have attached as exhibits the analysis of the South Carolina Gas Cost
8 Deferred Account (Exhibit __ (RLT-1)) and the Hedging Deferred Account
9 (Exhibit __ (RLT-2)) for the review period.

10 **Q. Does this conclude your testimony?**

11 A. Yes.

EXHIBIT__(RLT-1)

EXHIBIT__(RLT-2)

Piedmont Natural Gas Company, Inc. - South Carolina
Hedging Deferred Account Activity
Annual Prudence Review - Docket No. 2007-4-G
12 Months Ended March 31, 2007

Exhibit (RLT-2)

	Beginning Balance	Option Premium	Fees	Margin Requirement	Consultant Fees	Proceeds from positions	Fees	Interest from brokerage acct.	Other Monthly Fee	Transfers from Hedging Account	Other	Balance before interest	Return	Monthly Gain / (Loss) Transfer	Ending Balance	Annual allowed return rate
Apr-06	\$ 1,157,952.51	-	-	(385,938.00)	(395.25)	6,240.00	(240.00)	781.99	(59.60)		(1,693,784.01)	798,341.65	8,469.12	-	806,810.77	10.39%
May-06	\$ 806,810.77	(156,220.00)	(5,260.00)	(831,373.00)	(2,408.97)	(57,750.00)	(1,320.00)	451.14	(59.60)			(1,940,913.67)	9,755.62	-	(1,931,158.05)	10.39%
Jun-06	\$ (1,931,158.05)	(257,230.00)	(5,080.00)	127,660.00	(395.25)	(11,610.00)	(1,080.00)	2,698.57	(59.60)		1,693,784.01	(382,470.32)	(10,014.37)	-	(392,484.69)	10.39%
Jul-06	\$ (392,484.69)	(347,400.00)	(3,140.00)	941,877.00	(395.25)	-	-	2,382.24	(59.60)			200,779.70	(831.63)	-	199,948.07	10.39%
Aug-06	\$ 199,948.07	(270,150.00)	(2,160.00)	(904,180.00)	(395.25)	(45,950.00)	(440.00)	4,293.01	(59.60)			(1,019,093.77)	(3,546.22)	-	(1,022,639.99)	10.39%
Sep-06	\$ (1,022,639.99)	(751,520.00)	(12,080.00)	(3,601,704.00)	(395.25)	(1,118,440.00)	(1,380.00)	1,463.27	(59.60)			(6,506,755.57)	(32,596.01)	-	(6,539,351.58)	10.39%
Oct-06	\$ (6,539,351.58)	(398,400.00)	(3,380.00)	2,230,110.00	(395.25)	195,910.00	(300.00)	8,053.49	(59.60)	68,400.00	295.76	(4,439,117.18)	(47,528.90)	-	(4,486,646.08)	10.39%
Nov-06	\$ (4,486,646.08)	(135,201.00)	(6,045.00)	2,369,788.00	(395.25)	132,995.50	(294.50)	7,466.63	(59.60)		(295.76)	(2,118,687.06)	(28,596.87)	-	(2,147,283.93)	10.39%
Dec-06	\$ (2,147,283.93)	(334,482.00)	(2,480.00)	(2,493,231.00)	(395.25)	(592,213.50)	(1,503.50)	3,430.51	(59.60)			(5,568,218.27)	(33,401.69)	-	(5,601,619.96)	10.39%
Jan-07	\$ (5,601,619.96)	(280,100.00)	(4,526.00)	2,187,584.00	(395.25)	(53,550.15)	(1,503.50)	4,556.21	(59.60)			(3,749,614.25)	(40,483.05)	-	(3,790,097.30)	10.39%
Feb-07	\$ (3,790,097.30)	(118,400.00)	(620.00)	357,347.66	(395.25)	-	-	5,736.34	(59.60)			(3,546,488.15)	(31,761.30)	-	(3,578,249.45)	10.39%
Mar-07	\$ (3,578,249.45)	(96,360.00)	(790.50)	5,736.34	(395.25)	155,750.00	(775.00)	64.41	(59.60)			(3,515,079.05)	(30,708.20)	-	(3,545,787.25)	10.39%
Activity Totals		(3,145,463.00)	(45,561.50)	23,677.00	(6,756.72)	(1,388,618.15)	(8,836.50)	41,377.81	(715.20)		-		(241,243.50)			

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the attached *Direct Testimony and Exhibits of Robert L. Thornton on Behalf of Piedmont Natural Gas Company, Inc.* is being served this date via UPS Overnight upon:

Jeffrey M. Nelson
Office of Regulatory Staff
1441 Main Street
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Columbia, South Carolina 29201
(5 copies)

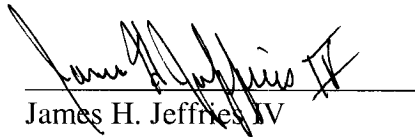
And that a copy of the attached *Direct Testimony and Exhibits of Robert L. Thornton on Behalf of Piedmont Natural Gas Company, Inc.* is being served this date via U.S. Mail upon:

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This the 11th day of October, 2007.


James H. Jeffries IV